

Builder's Risk Information

What is Builder's Risk coverage?

Builder's Risk coverage is referred to in the State's property policy as "Property in the Course of Construction". Generally, it provides protection against the same perils (fire, wind, hail, theft, etc.) as found in most property insurance policies. However, it pertains only to buildings under construction (being built) and additions to existing buildings. Also, it extends coverage to such things as materials, architect/engineer fees and testing; and deals with "permission to occupy" issues. Projects valued at less than \$1,000,000 are generally considered to be of a "remodeling" variety.

Evaluation of Need

When a State agency is structuring construction project needs, the following variables and alternatives should be considered:

- Is the project valued at more than \$1,000,000? If so,:
 - the contractor could provide the Builder's Risk insurance policy for the State.
 - deductibles and policy limits would be agreed upon contractually.
 - The contractor would be required to protect the state's interest by including the State as an additional insured in a policy purchased by the contractor (pursuant to contract).
 - an additional premium could be paid by the State agency to expand coverage under the State's master property policy.
 - the State manager would have to contact and provide project details to the State's broker , Elma Kinnard, Marsh, Inc., (303) 308-4500.
 - claims would be subject to a \$10,000 deductible, and losses would not diminish the aggregate deductible (\$500,000 for fiscal 2000).
 - the State agency could purchase a separate insurance plan.
 - the State manager would have to contact and provide project details to the State's broker, Elma Kinnard, Marsh, Inc., (303) 308-4500.
 - the \$10,000 deductible may be reduced to a lesser amount.
- Is the project valued at less than \$1,000,000? If so,:
 - The State's master property insurance policy provides coverage for Builder's Risk exposures. However, there must be compliance with the conditions listed below to validate coverage:
 - Claims would be subject to a \$10,000 deductible, and losses would not diminish the aggregate deductible (\$500,000 for fiscal 2000).
 - The vendor contract would have to clarify that:
 - the State would provide the "Builder's Risk" coverage.
 - what the deductible and limit amounts were to be.
 - contractor and sub-contractor identification would have to be provided to the State's broker for inclusion in the State policy as additional insured parties.

**CONSTRUCTION PROJECT
EXPOSURES**

State Risk Management
(303) 866-3846

Special Supplementary Conditions:
Contract Insurance Requirements

Tools & Equipment

Contractor's
Equipment
Floater

Fire & Extended
Coverage

Builders Risk
Aka:
Installation
Floater or
Property in
Course of
Construction

Coverage
Alternatives

Liability

CGL
Comprehensive
General Liability

Contractual
Premises
Products
Completed Ops
Broad Form PD
Indep Contractor
Personal Injury
Underground

Automobile

Workers
Compensation

Per Statute

Contractor
Policy

State
is Additional
Insured

Contractor
Sends
Insurance
**Certificate to
State**

Deductible per
Contract

State Master
Property Policy

Additional
Premium if
project
over
\$1,000,000

\$10,000
Deductible

State Special
Policy

**Contract
Specifies
State
Provides
Coverage**

Contractor
is Additional
Insured

State Broker
Involvement

Premium
per Broker
Negotiation

Deductible
per Policy